

Message Text

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PARIS FOR ENDERS AND JULIUS KATZ

FOL REPEAT MTN GENEVA 4997 SENT ACTION SECSTATE INFO BERN BONN
BRUSSELS EC BRUSSELS BUENOS AIRES CANBERRA COPENHAGEN DUBLIN
THE HAGUE LONDON LUXEMBOURG OTTAWA PARIS ROME TOKYO WELLINGTON
JUNE 30, 1975

QUOTE

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PASS STR, AGRICULTURE AND CODEL

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJ: MTN SUBGROUP MEETING ON DIARY JUNE 23-25

REF: STATE 143510

1. SUMMARY. THE SUBGROUP DAIRY MET JUNE 23-25 AND REACHED AGREE-
MENT ON ITS WORK PROGRAM. THE EC APPROACH FOR INTERNATIONAL
DAIRY ARRANGEMENTS RECEIVED SUPPORT FROM AUSTRALIA, NEW ZEALAND
AND CANADA. HOWEVER, THESE COUNTRIES STRESSED THAT ANY SUCH
ARRANGEMENT MUST CONTAIN PROVISIONS FOR LIBERALIZATION. JAPAN
STRESSED A STEADY EXPANSION OF TRADE UNDER STABLE CONDITIONS.

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CONSISTENT WITH ITS OVERALL APPROACH THE U.S. SUPPORTED
LIBERALIZATION ALSO IN THE DAIRY SECTOR. END SUMMARY.

2. THE MEETING WAS OPENED BY ACTING CHAIRMAN LUCQ. INITIAL

STATEMENTS WERE MADE BY THE PRINCIPAL EXPORTING AND IMPORTING COUNTRIES (NEW ZEALAND, AUSTRALIA, CANADA, JAPAN, EC AND U.S.). MOST COUNTRIES STRESSED TRADE LIBERALIZATION, SECURITY AND STABILITY OF MARKETS AND GREATER INTERNATIONAL COOPERATION AS MAJOR OBJECTIVES OF THE NEGOTIATIONS. HOWEVER, THEY NOTED THE WIDE DIVERSITY AND FORMS IN WHICH THE BASIC PRODUCT MILK IS BEING PROCESSED AND THE ALMOST UNIVERSAL EXISTENCE OF FAR REACHING GOVERNMENT MARKET INTERVENTION.

3. U.S. (KOENIG), IN ACCORDANCE WITH REFTTEL, STATED THAT CONSISTENT WITH ITS OVERALL APPROACH THE U.S. SUPPORTS TRADE LIBERALIZATION IN THE DAIRY SECTOR AS IT DOES FOR AGRICULTURAL PRODUCTS GENERALLY. THE U.S. STRESSED THAT WORLD DAIRY TRADE IS PARTICULARLY ENCUMBERED BY TRADE RESTRICTING AND TRADE DISTORTING MEASURES AND THAT LIBERALIZATION COULD BE EXPECTED TO BRING ABOUT MORE STABLE MARKET CONDITIONS AND A MORE EFFICIENT ALLOCATION OF RESOURCES IN WORLD AGRICULTURE. WE ACKNOWLEDGED THAT U.S. SECTION 22 QUOTAS CONSTITUTE QUANTITATIVE RESTRICTIONS ON DAIRY IMPORTS AND POINTED OUT THAT WE HAVE ALREADY AGREED TO CONSULT ON ANY QUANTITATIVE RESTRICTIONS NOTIFIED AGAINST US ACCORDING TO THE PROCEDURE AGREED IN THE MTN SUBGROUP ON QR'S. WE INDICATED THAT THE U.S. WAS PREPARED TO EXPLORE POSSIBILITIES FOR LIBERALIZING DAIRY QUOTAS IN THE CONTEXT OF MULTILATERAL SOLUTIONS, PROVIDED, OF COURSE, THAT OTHER COUNTRIES ARE ALSO WILLING TO LIBERALIZE THEIR TRADING PRACTICES SO THAT THE U.S. DAIRY INDUSTRY IS NOT PUT AT AN UNFAIR COMPETITIVE DISADVANTAGE. TO THIS END, WE PROPOSED AN OVERALL SOLUTION TO THE PROBLEM OF EXPORT SUBSIDIES AND COUNTERVAILING DUTIES IN THE MTN SUBGROUP ON THIS QUESTION AND INDICATED THAT A SUCCESSFUL NEGOTIATION THERE COULD MAKE A SIGNIFICANT CONTRIBUTION TO OUR OBJECTIVE OF EXPANDING AND LIBERALIZING WORLD DAIRY TRADE. THE U.S. PROPOSED A WORK PROGRAM, AS OUTLINED IN REFTTEL. (SEE SEPTTEL.)

4. EC (JACQUOT) STRESSED THE GREAT IMPORTANCE THE COMMUNITY ATTACHES TO THE NEGOTIATIONS ON DAIRY AND THE NEED TO DEVELOP INTERNATIONAL AGREEMENTS AND DISCIPLINES FOR THE MAJOR DAIRY LIMITED OFFICIAL USE
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PRODUCTS. HE POINTED OUT THE CLOSE INTERDEPENDENCE BETWEEN THE VARIOUS DAIRY PRODUCTS AND THE BROAD SCOPE FOR SHIFTS IN PRODUCTION AND UTILIZATION. THE EC MADE A DISTINCTION BETWEEN BUTTER, BUTTER FAT AND SKIM MILK POWDER, ON THE ONE HAND, AND CHEESE ON THE OTHER. THE MARKET FOR BUTTER AND BUTTER FAT, THE EC STATED, IS LIMITED BECAUSE OF THE SMALL NUMBER OF COMMERCIAL IMPORTERS AND BECAUSE THESE PRODUCTS ALSO COMPETE WITH VEGETABLE AND ANIMAL FATS. EC STRESSED THAT THE MARKET FOR SKIM MILK POWDER WAS LIMITED BY PRICE. SKIM MILK POWDER IS NOT COMPETITIVE AS ANIMAL FEED AND TOO EXPENSIVE AS A SOURCE OF HUMAN FOOD FOR DEVELOPING COUNTRIES. THE CHEESE MARKET, HOWEVER, EMBRACES, ACCORDING TO THE EC, A WIDE VARIETY

OF FAIRLY HOMOGENEOUS PRODUCTS AND, IN THE OPINION OF THE EC, MARKET CONDITIONS AND CONSUMPTION COULD BE IMPROVED, IF PROTECTIVE BARRIERS AND HEALTH MEASURES WERE LIBERALIZED. EC DEL REFERRED TO MULTILATERAL SOLUTIONS SUCH AS THE OECD GENTLEMEN'S AGREEMENT ON POWDERED WHOLE MILK AND THE GATT MINIMUM PRICE ARRANGEMENTS ON SKIM MILK POWDER AND BUTTER-OIL/GHEE. WHILE ACKNOWLEDGING THAT THESE QUOTE INTER-NATIONAL DISCIPLINES UNQUOTE HAVE NOT PROVED SATISFACTORY, THE EC DEL PROPOSED THAT IN THE GROUP'S WORK THE PRODUCT COVERAGE BE BROADENED TO INCLUDE MILK POWDERS, BUTTER AND BUTTERFATS AND THAT ONE OR MORE INTERNATIONAL AGREEMENTS SHOULD BE NEGOTIATED ON THESE PRODUCTS. THE EC PROPOSED A SYSTEM OF MINIMUM AND MAXIMUM PRICE FOR THESE PRODUCTS, WITH MACHINERY FOR PERMANENT SURVEILLANCE AND EXCHANGE OF INFORMATION. IN THE CHEESE SECTOR, THE EC STRESSED THAT SINCE A GENERAL AGREEMENT ON PRICES DOES NOT SEEM FEASIBLE (BECAUSE OF THE VARIOUS CONDITIONS PREVAILING IN DIFFERENT MARKETS OR THE VARIOUS PRODUCTS INVOLVED) CERTAIN MULTILATERAL RULES SHOULD NEVERTHELESS BE FORMULATED TO SERVE AS A FRAMEWORK FOR THE ESTABLISHMENT OF MORE SPECIFIC PROVISIONS GOVERNING TRADING CONDITIONS, SO AS TO PERMIT THE REGULARIZATION AND EXPANSION OF TRADE. EC DEL STATED THAT THE CURRENT UPSWING IN PROTECTIONISM AND THE ERECTING OF ADDITIONAL BARRIERS IN IMPORTING COUNTRIES SHOULD GIVE A STIMULUS TO THE WORK OF THE DAIRY SUBGROUP.

5. NEW ZEALAND (EASTERBROOK-SMITH) OUTLINED PROBLEMS FACING DAIRYEXPORTERS AND THE EXTREME IMPORTANCE NEW ZEALAND ATTACHES TO THESE NEGOTIATIONS. NEW ZEALAND STRESSED THE NEED FOR LIMITED OFFICIAL USE
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STABILITY, LIBERALIZATION OF ACCESS AND THE ELIMINATION OF EXPORT SUBSIDIES. NEW ZEALAND STATED THAT, ALTHOUGH IT WAS NOT SATISFIED WITH THE RESULTS OF INTERNATIONAL ACTION AND COOPERATION TO DATE, IT HOPED TO BUILD ON THE RECORD OF EXISTING ARRANGEMENTS REFERRING SPECIFICALLY TO (A) THE FAO PRINCIPLES ON SURPLUS DISPOSAL AND THE CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSALS (CSD); (B) THE GATT MINIMUM PRICE AGREEMENTS FOR SKIM MILK POWDER AND MILK FAT; (C) THE OECD GENTLEMEN'S AGREEMENT ON WHOLE MILK POWDER; (D) THE VALUABLE BACKGROUND AND

EXPERIENCE GAINED IN THE GATT MANAGEMENT COMMITTEES; AND (E) THE ROLE WHICH FOOD AID HAS PLAYED IN BRINGING SOME STABILITY TO THE MARKET AND THE DISCIPLINE DONOR COUNTRIES HAVE OBSERVED IN THIS REGARD. NEW ZEALAND NOTED THE EC'S INTENTION TO PROPOSE A WORLD DAIRY ARRANGEMENT EMBODYING PRICE AND SUPPLY COMMITMENTS AND STATED THAT AN EXAMINATION OF THESE PROPOSALS SHOULD BE PART OF THE SUBGROUP'S WORK PROGRAM.

6. AUSTRALIA (MOORE-WILTON) POINTED OUT THAT THE TASK OF THE DAIRY SUBGROUP, WORKING IN CONJUNCTION WITH THE TARIFF AND NTM

GROUPS, WAS TO NEGOTIATE ARRANGEMENTS WHICH LEAD TO THE PROGRESSIVE DISMANTLING OF OBSTACLES TO TRADE. HE STRESSED REASONABLE ACCESS, FAIR PRICES AND STABILITY FOR AUSTRALIA'S DAIRY TRADE. PRIORITIES INCLUDED: (A) EXPANSION OF TRADE; (B) THE ELIMINATION OF NON-TARIFF BARRIERS; (C) THE PROGRESSIVE ELIMINATION OR CONTAINMENT OF TRADE DISTORTING PRACTICES SUCH AS EXPORT SUBSIDIES, EASY CREDIT TERMS, THE QUOTE UNREASONABLE UNQUOTE APPLICATION OF ADMINISTRATIVE MEASURES SUCH AS DUMPING AND COUNTERVAILING DUTIES; AND (D) PRACTICAL ARRANGEMENTS WHICH WILL ENSURE THAT SURPLUS DISPOSAL DOES NOT PREJUDICE COMMERCIAL TRADE FLOWS. AUSTRALIA ALSO INDICATED ITS WILLINGNESS TO EXPLORE EC PROPOSALS FOR A WORLD DAIRY ARRANGEMENT. AS A WORK PROGRAM PROPOSED THAT (A) DELEGATIONS INDICATE THEIR INTENTIONS AND NEGOTIATING APPROACHES AS SOON AS POSSIBLE; (B) THAT THE SUBGROUP UNDERTAKE AN EXAMINATION OF THE IMPACT OF ALL TARIFF AND NON-TARIFF OBSTACLES TO TRADE; (C) THAT THE SUBGROUP UNDERTAKE AN EXAMINATION OF WAYS OF IMPROVING THE INTERNATIONAL FRAMEWORK FOR THE CONDUCT OF WORLD TRADE INCLUDING IMPROVED FORMS OF INTERNATIONAL COOPERATION.

7. JAPAN (YOSHIKUNI) POINTED OUT JAPANESE EFFORTS IN DEVELOP-
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ING A DAIRY INDUSTRY. DAIRY PRODUCTION NOW ACCOUNTS FOR ABOUT SIX PERCENT OF TOTAL JAPANESE AGRICULTURAL OUTPUT. HE STRESSED THE NEED FOR DOMESTIC PRICE STABILITY IN THE DAIRY SECTOR AND STATED THAT BOTH DOMESTIC DEMAND AND IMPORTS OF DAIRY PRODUCTS HAD BEEN INCREASING. JAPAN REPEATED ITS OBJECTIVES RELATING TO AGRICULTURAL ISSUES IN THIS SUBGROUP AS QUOTE THE STEADY EXPANSION OF TRADE UNDER STABLE MARKET CONDITIONS ON THE BASIS OF MUTUAL BENEFIT TO BOTH IMPORTING AND EXPORTING COUNTRIES UNQUOTE. JAPAN ALSO STATED IT WILL BE DIFFICULT TO CHANGE FRONTIER MEASURES INTRODUCED IN MOST COUNTRIES BECAUSE OF UNDERLYING NATIONAL POLICIES AND THAT A MULTILATERAL APPROACH TO TRADE BARRIERS IN THE DAIR SECTOR WAS NOT REALISTIC.

8. THE WORK PROGRAM ON WHICH THE SUBGROUP AGREED WILL BE FORWARDED BY SEPTEL.

9. THE DATE OF THE NEXT MEETING OF THE SUBGROUP (PROBABLY IN OCTOBER) WILL BE FIXED IN CONSULTATION WITH DELEGATIONS.
MCNAMARA

UNQUOTE. INGERSOLL

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